

ORIGINAL OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

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AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: November 10, 2010

DOCKETED BY

CRS

RE: COMPLIANCE FILING PER DECISION NO. 71482 – IN THE MATTER OF THE APPLICATION OF VALLEY UTILITIES WATER COMPANY, INC. FOR AN INCREASE IN ITS WATER RATES FOR CUSTOMERS WITHIN MARICOPA COUNTY (DOCKET NO. W-01412A-08-0586)

Introduction

On February 3, 2010, the Commission issued Decision No. 71482 granting Valley Utilities Water Company, Inc. ("Valley Utilities" or "Company") a rate increase. As part of the Decision, the Commission ordered that Valley Utilities shall submit "... for Commission consideration, within 120 days of the effective date of this Decision, at least five Best Management Practices ("BMPs") (as outlined in the Arizona Department of Water Resources' modified Non-Per Capita Conservation Program). The Decision further ordered that a maximum of two of these BMPs may come from the "Public awareness/PR" or "Education and Training" categories of the BMPs."

Company's Compliance Filing

On June 2, 2010, the Company filed its five proposed BMP tariffs. In its compliance filing, the Company is requesting Commission approval to implement the conservation measures listed below:

1. **Youth Conservation Education Program Tariff – BMP 2.2:** A program for the Company to promote water conservation by increasing students' understanding of water resources and the need to conserve.
2. **Water Budgeting Program (Non-Residential) Tariff – BMP 3.3:** A program for the Company to provide assistance to non-residential water user groups in developing water use target amounts that reflect highly water efficient water use/application rates. Valley Utilities intends to provide notice to all its non-residential customers (including HOAs) of BMP 3.3, along with a 2-3 page summary of water conservation or water management techniques, with the offer to assist in developing/planning/implementing such programs upon request.

3. **Customer High Water Use Inquiry Resolution Tariff – BMP 3.6:** A program for the Company to assist its customers with their high water-use inquiries and complaints.
4. **Water Waste Investigations and Information Tariff – BMP 3.8:** A program for the Company to assist customers with water waste complaints and provide customers with information designed to improve water use efficiency.
5. **Meter Repair and/or Replacement Tariff – BMP 4.2:** A program for the Company to systematically assess all in-service water meters (including Company production meters) in its water service area to identify under-registering meters and to repair or replace them.

Staff's Analysis

Valley Utilities Service Area Characteristics

Valley Utilities is located in unincorporated portions of Maricopa County just to the east of Luke Air Force Base in the vicinity of Glendale, Arizona. This Company is located within the Arizona Department of Water Resources' Phoenix Active Management Area. Currently, the Company has approximately 1,400 active accounts with meter sizes ranging from 5/8 x 3/4-inch to 3-inch. These accounts consist of approximately 1,300 residential and approximately 100 commercial accounts.

As typical in the Phoenix area, high water use is during the summer months. As an example, during August 2009, the customer base used an average of 913 gallons per day per service connection.

Staff concludes that each BMP proposed is relevant to Valley Utilities' service area characteristics and water use patterns.

Proposed Tariffs

Staff created a set of BMP tariff templates that were developed using the BMP descriptions outlined in the Arizona Department of Water Resources' ("ADWR") modified Non-Per Capita Conservation Program and relevant ADWR documents. ADWR representatives were provided with a copy of these templates and revisions were made to the templates where appropriate to incorporate any comments/suggestions provided by ADWR.

Valley Utilities was provided a copy of Staff's templates. The Company included minor modifications to reflect its specific management and operational requirements; however, the tariffs proposed by Valley Utilities generally conform to the templates developed by Staff.

Recommendation

Staff concludes that the BMPs proposed are relevant to Valley Utilities' service area characteristics. The tariffs proposed by Valley Utilities generally conform to the templates developed by Staff. Therefore, Staff recommends approval of the Company's proposed BMP tariffs.



Steven M. Olea
Director
Utilities Division

SMO:MSJ:lmh\WVC

Originator: Marlin Scott, Jr.

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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION OF
VALLEY UTILITIES WATER COMPANY, INC.
FOR AN INCREASE IN ITS WATER RATES
FOR CUSTOMERS WITHIN MARICOPA
COUNTY.

DOCKET NO. W-01412A-08-0586
DECISION NO. _____
ORDER
**COMPLIANCE FILING PER
DECISION NO. 71482 FOR ADWR
BEST MANAGEMENT PRACTICES**

Open Meeting
November 22 and 23, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Valley Utilities Water Company ("Valley Utilities" or "Company") is certificated to provide water service as a public service corporation in the State of Arizona.
2. On February 3, 2010, the Commission issued Decision No. 71482 granting Valley Utilities a rate increase. As part of the Decision, the Commission ordered that Valley Utilities shall submit "... for Commission consideration, within 120 days of the effective date of this Decision, at least five Best Management Practices ("BMPs") (as outlined in the Arizona Department of Water Resources' modified Non-Per Capita Conservation Program). The Decision further ordered that a maximum of two of these BMPs may come from the "Public awareness/PR" or "Education and Training" categories of the BMPs."
3. On June 2, 2010, the Company filed its five proposed BMP tariffs. In its compliance filing, the Company is requesting Commission approval to implement the conservation measures listed below.

- 1 • **Youth Conservation Education Program Tariff – BMP 2.2:** A program for the
2 Company to promote water conservation by increasing students' understanding of
3 water resources and the need to conserve.
- 4 • **Water Budgeting Program (Non-Residential) Tariff – BMP 3.3:** A program for
5 the Company to provide assistance to non-residential water user groups in
6 developing water use target amounts that reflect highly efficient water
7 use/application rates. Valley Utilities intends to provide notice to all its non-
8 residential customers (including HOAs) of BMP 3.3, along with a 2-3 page
9 summary of water conservation or water management techniques, with the offer to
10 assist in developing/planning/implementing such programs upon request.
- 11 • **Customer High Water Use Inquiry Resolution Tariff – BMP 3.6:** A program for
12 the Company to assist its customers with their high water-use inquiries and
13 complaints.
- 14 • **Water Waste Investigations and Information Tariff – BMP 3.8:** A program for
15 the Company to assist customers with water waste complaints and provide
16 customers with information designed to improve water use efficiency.
- 17 • **Meter Repair and/or Replacement Tariff – BMP 4.2:** A program for the
18 Company to systematically assess all in-service water meters (including Company
19 production meters) in its water service area to identify under-registering meters and
20 to repair or replace them.

21 Staff's Analysis

22 Valley Utilities Service Area Characteristics

23 4. Valley Utilities is located in unincorporated portions of Maricopa County just to the
24 east of Luke Air Force Base in the vicinity of Glendale, Arizona. This Company is located within
25 the Arizona Department of Water Resources' Phoenix Active Management Area. Currently, the
26 Company has approximately 1,400 active accounts with meter sizes ranging from 5/8 x 3/4-inch to
27 3-inch. These accounts consist of approximately 1,300 residential and approximately 100
28 commercial accounts.

29 5. As is typical in the Phoenix area, high water use is during the summer months. For
30 example, during August 2009, the customer base used an average of 913 gallons per day per
31 service connection.

32 6. Staff concludes that each of the proposed BMPs is relevant to Valley Utilities'
33 service area characteristics and water use patterns.

1 Proposed Tariff

2 7. Staff created a set of BMP tariff templates that were developed using the BMP
3 descriptions outlined in the Arizona Department of Water Resources' ("ADWR") modified Non-
4 Per Capita Conservation Program and relevant ADWR documents. ADWR representatives were
5 provided with a copy of these templates and revisions were made to the templates where
6 appropriate to incorporate any comments/suggestions provided by ADWR.

7 8. Staff provided Valley Utilities with a copy of the templates. While the Company
8 included minor modifications to reflect its specific management and operational requirements, the
9 tariffs proposed by Valley Utilities generally conform to the templates developed by Staff.

10 **Recommendation**

11 9. Staff has concluded that the BMPs proposed are relevant to Valley Utilities' service
12 area characteristics. The tariffs proposed by Valley Utilities generally conform to the templates
13 developed by Staff. Staff has recommended approval of the Company's five proposed BMP tariffs
14 attached hereto as Exhibit A.

15 CONCLUSIONS OF LAW

16 1. The Company is an Arizona public service corporation within the meaning of
17 Article XV, Section 2, of the Arizona Constitution.

18 2. The Commission has jurisdiction over the Company and of the subject matter in
19 this Application.

20 3. The Commission having reviewed the filing and Staff's Memorandum dated
21 November 10, 2010, concludes that it is in the public interest to approve the proposed BMP tariffs.

22 ORDER

23 IT IS THEREFORE ORDERED that Valley Utilities Water Company, Inc.'s five BMP
24 tariffs attached hereto as Exhibit A are hereby approved.

25 IT IS FURTHER ORDERED that Valley Utilities Water Company, Inc. shall provide
26 notice to all its non-residential customers (including HOAs) of BMP 3.3, along with a 2-3 page
27 summary of water conservation or water management techniques, with the offer to assist in
28 developing/planning/implementing such programs upon request.

IT IS FURTHER ORDERED that Valley Utilities Water Company, Inc. shall file with Docket Control, as a compliance item in this docket, the five BMP tariffs authorized herein within 30 days of the effective date of this Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2010.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:MSJ:lh\WV

Decision No. _____

1 SERVICE LIST FOR: VALLEY UTILITIES WATER COMPANY, INC.
2 DOCKET NO.: W-01412A-08-0586

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Exhibit A

Company: Valley Utilities Water Company, Inc.

Decision No.: _____

Phone: _____

Effective Date: _____

Youth Conservation Education Program Tariff – BMP 2.2

PURPOSE

A program for the Company to promote water conservation by increasing students' understanding of water resources and the need to conserve (Modified Non-Per Capita Conservation Program BMP Category 2: Conservation Education and Training 2.2: Youth Conservation Education Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company or designated representative shall work with schools in its service area to increase students' understanding of water resources and to promote water conservation.
2. The Company shall provide a combination of instructional assistance, education materials, teacher education, classroom presentations, and field trips to water related facilities.
3. The Company shall provide the following teacher resources.
 - a. Offer Project WET (Water Education for Teachers) workshops to teachers twice yearly.
 - b. Provide free resource materials and information upon request.
 - c. Provide in-classroom presentations upon request.
4. The Company shall make available free water conservation workbooks for elementary school students.
5. The Company shall keep a record of the following information and make it available upon request.
 - a. A description of the youth conservation education process implemented.
 - b. The number of students reached (or an estimate).
 - c. A description of the written water conservation material provided free to students.
 - d. Costs of the Youth Conservation Education Program implementation.

Company: Valley Utilities Water Company, Inc.

Decision No.: _____

Phone: _____

Effective Date: _____

Water Budgeting Program (Non-residential) Tariff – BMP 3.3

PURPOSE

A program for the Company to provide assistance to non-residential water user groups in developing water use target amounts that reflect highly water efficient water use/application rates (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.3: Water Budgeting Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' ("ADWR") Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company or designated representative shall offer assistance to one or more non-residential water user groups (such as homeowner associations, industry, commercial properties, government facilities or parks) in its service area to offer customized water budgets (water use target amounts), water saving options, and water conservation information.
2. The Company shall provide assistance in developing monthly and/or annual water use target amounts for outdoor and/or indoor water use that reflect highly water efficient water use/application rates. These rates should meet or exceed water use efficiencies required for similar uses in ADWR's Third Management Plan. If they are not addressed in the Plan, water use rates should be commensurate with state of the art water efficiency standards found in water conservation literature.
3. The Company shall provide water conservation information that could benefit the customer, such as, but not limited to, audit programs, publications, and rebate programs (rebate programs must be approved by the Commission).
4. If requested, the Company shall assist the customer in a self-water audit and assist the customer in determining what might be causing high water usage as well as supply customer with information regarding water conservation and landscape watering guidelines. As part of the water audit, and if requested to do so by the customer, the Company shall confirm the accuracy of the customer meter (applicable meter testing fees shall apply).

Company: Valley Utilities Water Company, Inc.

Decision No.: _____

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Effective Date: _____

5. The Company shall keep a record of the following information and make it available upon request.
 - a. A description of the water budgeting program implemented for each non-residential water user group.
 - b. A list of the non-residential water user groups assisted.
 - c. Implementation costs of the Water Budgeting Program for each non-residential water user group.

Company: Valley Utilities Water Company, Inc.

Decision No.: _____

Phone: _____

Effective Date: _____

Water Waste Investigations and Information Tariff – BMP 3.8

PURPOSE

A program for the Company to assist customers with water waste complaints and provide customers with information designed to improve water use efficiency (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.8: Water Waste Investigations and Information).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission specifically R14-2-403 and R14-2-410 and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall handle water waste complaints as calls are received.
2. Calls shall be taken by a customer service representative who has been trained to determine the type of water waste and to determine if it may be attributed to a leak or broken water line.
3. The Company shall follow up on every water waste complaint.
4. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to investigate further and notify the responsible party of the waste and offer assistance and information to prevent waste in the future.
5. A letter of enforcement will be issued to customers with water running beyond the curb and/or off the customers property due to such things as, but not limited to, backwashing of pools, broken sprinkler heads, and over watering of lawns beyond the saturation point.
6. The same procedures outlined above in item #4 will be followed in the event of a second violation. Termination of service may result in the event of the third violation within a 12 month period. In the event of a third violation the customer's service may be terminated per Arizona Administrative Code R14-2-410C, R14-2-410D and R14-2-410E (applicable service reconnection fees shall apply).
7. The Company shall record each account and each instance noted for water waste, the action taken and any follow-up activities.
8. Subject to the provisions of this tariff, compliance with the water waste restriction will be a condition of service.
9. The Company shall provide to its customers a complete copy of this tariff and all attachments upon request and to each new customer. The customer shall abide by the water waste restriction.
10. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Revised: 4-15-10

Decision No. _____

Company: Valley Utilities Water Company, Inc.

Decision No.: _____

Phone: _____

Effective Date: _____

Customer High Water Use Inquiry Resolution Tariff – BMP 3.6

PURPOSE

A program for the Company to assist its customers with their high water-use inquiries and complaints (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.6: Customer High Water Use Inquiry Resolution).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall handle high water use inquiries as calls are received.
2. Calls shall be taken by a customer service representative who has been trained on typical causes of high water consumption as well as leak detection procedures that customers can perform themselves.
3. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to the customer's residence to conduct a leak detection inspection and further assist the customer with water conservation measures.
4. The Company shall follow up in some way on every customer inquiry or complaint and keep a record of inquiries and follow-up activities.

Company: Valley Utilities Water Company, Inc.

Decision No.: _____

Phone: _____

Effective Date: _____

Meter Repair and/or Replacement Tariff – BMP 4.2

PURPOSE

A program for the Company to systematically assess all in-service water meters (including Company production meters) in its water service area to identify under-registering meters and to repair or replace them (Modified Non-Per Capita Conservation Program Best Management Practice Category 4: Physical System Evaluation and Improvement 4.2 Meter Repair and/or Replacement Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. On a systematic basis, the Company will inspect 100 percent of its 1-inch and smaller in-service water meters at least once every ten years for one of the following reasons (whichever occurs first):
 - a. A meter reading complaint is filed with the Company by a customer or Arizona Corporation Commission Staff,
 - b. A meter has registered 1,000,000 gallons of usage,
 - c. A meter has been in service for ten years.
2. Meters larger than 1-inch shall be inspected for one of the following reasons:
 - a. A meter reading complaint is filed with the Company by a customer or Arizona Corporation Commission Staff,
 - b. A meter has been in service for five years.
3. The inspection will be accomplished by having the meter pulled and having a Company Technician physically inspect each meter and its fittings for leaks, registers which may have become loose or are not properly attached to the meter and could be under-registering or other broken parts which need repair. In addition, meters shall be randomly selected for flow testing to identify potentially under-registering meters.
4. The Company shall also replace or reprogram any water meters that do not register in gallons. Within 5 years of the initial effective date of this tariff, the Company shall replace or reprogram all:
 - a. 1-inch and smaller meters such that they register usage in 1 gallon increments,
 - b. 1-1/2-inch through 4-inch meters such that they register in 10 gallon increments, or less, and
 - c. 6-inch and larger meters such that they register in 100 gallon increments or less.